

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

MONTHLY MEETING

TRANSCRIPT OF PROCEEDINGS

SACRAMENTO COUNTY BOARD OF SUPERVISORS CHAMBERS

700 H STREET

SUITE 1450

SACRAMENTO, CALIFORNIA

TUESDAY, NOVEMBER 18, 2014

9:00 A.M.

Reported by: Kent Odell

APPEARANCES

BOARD MEMBERS

Dan Richard, Chairman
Tom Richards, Vice Chair
Jim Hartnett, Vice Chair
Thea Selby
Lynn Schenk
Rick Frank
Katherine Perez-Estolano
Patrick Henning

STAFF

Jeff Morales, Chief Executive Officer
Janice Neibel, Secretary
Scott Jarvis
James Andrew
Tom Fellenz

HONORED GUEST

Senator Darrell Steinberg

ALSO PRESENT

Frank Oliveira, Citizens for California HSR Accountability
Robert Allen
Dianna LaCome

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1 P R O C E E D I N G S

2 9:15 a.m.

3 PROCEEDINGS BEGIN AT 9:15 A.M.

4 SACRAMENTO, CALIFORNIA, TUESDAY, NOVEMBER 18, 2014

5 CHAIRMAN RICHARDS: Good morning. We will come to
6 order. So good morning. The -- this meeting of the
7 California High Speed Rail Authority Board is now in
8 session.

9 Will the Secretary please call the roll?

10 MS. NEIBEL: Ms. Schenk?

11 BOARD MEMBER SCHENK: Here.

12 MS. NEIBEL: Vice Chair Richards?

13 VICE CHAIR RICHARDS: Here.

14 MS. NEIBEL: Vice Chair Hartnett?

15 VICE CHAIR HARTNETT: Here.

16 MS. NEIBEL: Mr. Rossi? Ms. Perez-Estolano?

17 BOARD MEMBER PEREZ-ESTOLANO: Here.

18 MS. NEIBEL: Mr. Henning?

19 BOARD MEMBER HENNING: Here.

20 MS. NEIBEL: Mr. Frank?

21 BOARD MEMBER FRANK: Here.

22 MS. NEIBEL: Ms. Selby?

23 BOARD MEMBER SELBY: Here.

24 MS. NEIBEL: Chairman Richard?

25 CHAIRMAN RICHARDS: Here.

1 Mr. Henning, would you lead us in the Pledge of
2 Allegiance please?

3 (The Pledge of Allegiance is made.)

4 CHAIRMAN RICHARDS: Appreciate that. We just had
5 Veterans' Day recently, and we have a number of proud
6 veterans on this Board. So we're very appreciative of their
7 service.

8 Hold on one second. Hang on a second. Okay. All
9 right. Okay. Wait a second. Let me get my Board binder.

10 BOARD MEMBER SCHENK: Mr. Chairman, just a point.

11 CHAIRMAN RICHARDS: Yes, Ms. Schenk?

12 BOARD MEMBER SCHENK: May we congratulate our
13 colleague on her recent victory.

14 CHAIRMAN RICHARDS: Yes.

15 BOARD MEMBER SCHENK: And as --

16 CHAIRMAN RICHARDS: Thank you very much. That's
17 an excellent idea and very appropriate. I meant to do it
18 and I spaced out on it, so I appreciate it, Ms. Schenk.

19 So one of our Board Members -- well, first of all,
20 I think people know that all of the people up here are
21 making a commitment to public service. Some people make
22 multiple commitments to public service. And we're very
23 pleased to congratulate our colleague Ms. Selby who was
24 elected, not just elected but smashed all other opposition
25 in being elected to the Community College District Board in

1 San Francisco. And this is not just any position because
2 for those who follow things in San Francisco the Community
3 College District has had some major challenges and is going
4 to need real leadership going forward.

5 So, Ms. Selby, thank you for putting yourself back
6 into another public arena, and congratulations.

7 BOARD MEMBER SELBY: Thank you very much. I'm
8 pleased to be there.

9 CHAIRMAN RICHARDS: Thank you, Ms. Schenk, that
10 was great. Okay.

11 So we will start with public comment, as we always
12 do. And taking -- just we like to give our elected
13 officials an opportunity to speak first. I don't have any
14 of those.

15 So we'll start in order that was received with Mr.
16 Frank Oliveira, followed by Robert Allen, followed by Diana
17 LaCome.

18 MR. OLIVEIRA: Good morning. Frank Oliveira,
19 Citizens for California High-Speed Rail Accountability.

20 On October 14th at your last Board meeting we told
21 you that we were aware that your design contractor had
22 notified you that the route you have told the court you will
23 build between San Francisco and Los Angeles will not work.
24 Your contractor notified you via the September 2013 Program
25 Management Team Report. You've had this information for

1 more than a year. Oddly, we do not remember this project-
2 killing information ever being discussed at a Board meeting
3 or being released to the legislature or the public.

4 The route that you have told the court you will
5 build over the Tehachapi Mountains is too steep and
6 unachievable. Change the route to a workable mountain
7 crossing and you will blow your Prop 1A Phase 1 maximum trip
8 time. What a conundrum. Stop pretending you're building
9 something that you know will violate the proposition to keep
10 the Federal ARRA funding coming or confess that you really
11 have to redesign the project.

12 What to do? We challenged you to explain this at
13 the last meeting, to explain it here today, how you were
14 going to travel over the Tehachapis and safely descend more
15 than 4,000 feet while maintaining 220 miles per hour. Your
16 program manager told the court you were planning to do it,
17 but he did not disclose the PMT report. You're acquiring
18 land and already have started construction. You're spending
19 lots of Federal ARRA money, but sadly we do not see this
20 basic viability topic being discussed on your agenda today.
21 This should be easy for you to explain.

22 It is a reasonable request and it is relevant to
23 the \$6 billion on the table today, can you really connect
24 the Central Valley to Southern California? We're talking
25 about the key component of the initial operating segment,

1 the IOS South. Is the Central Valley going to be that \$6
2 billion stranded investment predicted by Senators De
3 Saulnier, Simitian and Lowenthal in 2012? Are you
4 uncomfortable discussing this matter with the public? How
5 long are you going to cover this up? Would you care to
6 explain this to us right now here today?

7 CHAIRMAN RICHARDS: Does that conclude your
8 remarks?

9 MS. OLIVEIRA: Yes, sir.

10 CHAIRMAN RICHARDS: Okay. Thanks. Let me just
11 say, Mr. Oliveira, that, as you know, this is the time for
12 public to speak to us, and so we generally don't get into a
13 back and forth during the comment period. So -- and you're
14 submitting something for the -- for the record.

15 Next speaker is Robert Allen, followed by Diana
16 LeCome.

17 MR. ALLEN: When the people in California voted
18 in -- in 2008 for Proposition 1A it was for, and I'm
19 quoting, "safe, reliable high-speed rail."

20 I'll be blunt. As far as -- as far as high-speed
21 rail to the Bay Area, high-speed rail on Caltrain thundering
22 across dozens of grade crossings and past station platforms
23 at up to 125 miles-an-hour would be neither safe nor
24 reliable.

25 I have these suggestions regarding making high-

1 speed rail to the Bay Area safe and reliable. First is to
2 phase high-speed rail to the Bay Area, first just to San
3 Jose with near seamless transfers there to Caltrain, Capitol
4 Corridor, Amtrak, Ace, VTA Rail, and the planned Silicone
5 Valley BART, later then to phase high-speed rail along the
6 UP-Amtrak Mulford line up towards Oakland, continue on to
7 Sacramento. From the new transfer station at the BART
8 overpass in Oakland, the four-joint BART-Muni stations in
9 Downtown San Francisco that are within -- are ten minutes
10 are less away, there are 16 trains per hour each direction.

11

12 And regarding those two phases I would urge you,
13 squander no more high-speed rail funds to electrify Caltrain
14 to extend it to the misnamed Transbay Transit Center or to
15 plan a future -- a new -- a new tube under the San Francisco
16 Bay, and that you require all other high-speed rail tracks
17 to be well fenced and grade separated. Thank you.

18

CHAIRMAN RICHARDS: Thank you, Mr. Allen.

19

Diana LaCome.

20

MS. LACOME: Good morning, Chairman Richard,
21 Members of the Board, Mr. Morales. I'm Diana LaCome
22 representing APAC. I wanted to talk to you about the need
23 for bonding for small businesses.

24

In 2011 Caltrans Director Cindy McKim signed
25 through executive order a stop to put a stop to bonding

1 around the small businesses. For -- for those people who
2 are not familiar with that, what happens is that the small
3 business will place a stop notice on the prime or the
4 general, whoever he's -- he's dealing with, and -- and
5 that's supposed to stop until it's settled and he'd get his
6 money or there would be some -- some decision made at that
7 level. But what has happened is that state agencies have
8 allowed the primes to completely bond around them and there
9 is not stop to the prime contractor. So I would
10 recommend -- and I finally located where that notice is from
11 Cindy McKim. So I'd be willing to let your -- your staff
12 know that.

13 The other is, again on bonding, they're -- the
14 City of San Diego and/or the airport of San Diego had -- I
15 call it a revolving bonding program, and basically that's
16 what it does. There's bonding dollars available, actually
17 placed there by the -- by the city. And this provided
18 bonding or some type of leverage for the small businesses to
19 be able to bond in the projects that -- that they're bidding
20 on. So that's the other one that I would -- I hope that you
21 will follow up. And I'll be glad to -- to work with your
22 staff on that to locate those -- that information, because
23 it's -- it's extremely important for the small businesses.
24 Otherwise they won't be able to actually perform on your
25 contracts.

1 Lastly I just wanted to say that on the Nossaman
2 and PB contracts, or should I say extension of contracts,
3 I'm very happy to see the 30 percent SBE goal there. So
4 thank you.

5 CHAIRMAN RICHARDS: Thank you, Ms. LaCome.

6 Okay, with that I have no other speaking requests
7 at this point. And so the public comment period will be
8 closed and we will move through the rest of the agenda.

9 The first item, as it always is, will be the
10 consideration of the minutes from the last meeting. Can we
11 have a motion on that?

12 BOARD MEMBER FRANK: so Moved.

13 VICE CHAIR RICHARDS: Second.

14 CHAIRMAN RICHARDS: It's been moved by Mr. Frank,
15 seconded by Vice Chair Richards.

16 Could the Secretary please call the roll?

17 MS. NEIBEL: Ms. Schenk?

18 BOARD MEMBER SCHENK: Yes.

19 MS. NEIBEL: Vice Chair Richards?

20 VICE CHAIR RICHARDS: Yes.

21 MS. NEIBEL: Vice Chair Hartnett?

22 VICE CHAIR HARTNETT: Yes.

23 MS. NEIBEL: Ms. Perez-Estolano?

24 BOARD MEMBER PEREZ-ESTOLANO: Yes.

25 MS. NEIBEL: Mr. Henning?

1 BOARD MEMBER HENNING: Yes.

2 MS. NEIBEL: Mr. Frank?

3 BOARD MEMBER FRANK: Yes.

4 MS. NEIBEL: Ms. Selby?

5 BOARD MEMBER SELBY: Yes.

6 MS. NEIBEL: Chairman Richard? Chairman Richard?

7 CHAIRMAN RICHARDS: Yes. Okay.

8 Our next item is a commendation, well deserved
9 commendation for outgoing Senate President Darrell
10 Steinberg. We think we're going to be graced with Senator
11 Steinberg's presence here this morning. So we'll proceed
12 through the rest of the agenda. And then we'll take a time
13 out when the -- when the Pro Tem arrives.

14 Actually, before we turn to the rest of the agenda
15 I'd just like to take a moment. One of our speakers this
16 morning raised a question which was a reprise of something
17 that had been raised at the last meeting that opened up the
18 question of whether or not our program is technically
19 feasible. And I think that these kinds of things often find
20 their way into the press and public commentary. And so
21 while it is our practice to allow the public, as we should,
22 to speak to us without engaging in debate, I think this
23 issue that's been raised is significant enough that I would
24 turn to our CEO and ask him to comment on it.

25 And as I do let me just say that for members of

1 the public who have not yet had an opportunity to read the
2 latest report from the High-Speed Rail Authority pursuant to
3 Senate Bill 1029, the appropriation bill that gave us the
4 funds to go forward and which requires us by November 1st, I
5 think it is, and March 1st every year to provide a
6 comprehensive report to the legislature about the status of
7 the program, its funding, risk management and so forth,
8 having just gone through that report it's an excellent
9 document, I felt, very comprehensive. I think it gives the
10 public and legislature who represent the public a real
11 insight into the status of the program.

12 And one thing Mr. Morales and I talked about the
13 other day is the stepping back. There's been a tremendous
14 amount of progress in the last six months when you look at
15 the things that have been accomplished with that. So I
16 commend that -- that 1029 report to everybody to take a look
17 at to get a really good sense of where this program is and
18 where it's going.

19 But, Mr. Morales, on this rather serious challenge
20 that's been raised as to whether or not the fundamental
21 engineering of our project as it relates to Trans-Tehachapi
22 routing is feasible or possible, can you take a moment and
23 talk about that?

24 CHIEF EXECUTIVE OFFICER MORALES: Sure, happy to
25 do so. And I'll say as a general point, Proposition 1A laid

1 out some specific statutory criteria for design standards
2 for the system, all of which are built in to our process and
3 are monitored and evaluated on an ongoing basis, every
4 alternative. We look at every alignment. We look at -- we
5 measure against those criteria that are in -- in Prop 1A.

6 The questions that have been raised, you know,
7 certainly, you know, we're accountable and need to be able
8 to answer any and all questions. I think the way these have
9 been raised, in some cases at least, either represent a
10 fundamental misunderstanding of how the process works or
11 misrepresentation of the process. Well, I'll explain or
12 talk about it, in part, by working backwards.

13 This Board ultimately has the responsibility of
14 selecting alignments and identifying and certifying for the
15 environmental process specific alignments. Leading up to
16 that is extensive, and in most cases what has been years of
17 review of various alternatives that get us to that point of
18 being able to present to the Board and through the -- to the
19 public through the process, the preferred alignment.

20 Those review processes which are done, in our
21 case, led -- that work is led primarily by our -- what we
22 refer to as the regional consultants who have the specific
23 corridors, evaluate a myriad of alignments, of issues. The
24 whole point of the process is to identify alternatives,
25 identify issues, suggest where -- where the best

1 alternatives might be, identify where the biggest problems
2 may be, and ultimately get us to that point of an alignment.
3 That's not a stumble. That is the process working. I mean,
4 that's the whole point of doing the process is to identify
5 where those challenges are, where the -- and how we work
6 through them.

7 And that's -- the report that's been referred to
8 is being taken out of context in that, in that it identified
9 challenges and it identifies other possibilities and we work
10 through those, ultimately, to get to an alignment.

11 In terms of getting through the Tehachapis, it is
12 a challenge. I mean, there's no -- no two ways around that.
13 Getting through any mountain range is. But I would point
14 out that the Southern Pacific managed to get through the
15 Tehachapis in 1874 using pick axes. I'm reasonably
16 confident that using the world's best companies and
17 technologies today we will be able to do that and meet all
18 of the requirements that we have. And all of our -- our
19 entire process as we go through that is open and available
20 to the public. That's what -- that's what's been referred
21 to is some of that information. But again, it's all part of
22 that process of identifying alternatives, identifying
23 issues, and ultimately arriving at the -- the best and
24 preferred alignment.

25 CHAIRMAN RICHARDS: But as far as your engineering

1 team sits there today there's no secret that somehow we
2 can't do this?

3 CHIEF EXECUTIVE OFFICER MORALES: No.

4 CHAIRMAN RICHARDS: Right.

5 CHIEF EXECUTIVE OFFICER MORALES: I'd elaborate,
6 but I think that's the best answer.

7 CHAIRMAN RICHARDS: No. Okay. Great.

8 CHIEF EXECUTIVE OFFICER MORALES: Great.

9 CHAIRMAN RICHARDS: All right. And, yeah, I just
10 think it's important sometimes, I mean, the public has the
11 right to raise any question about this program, but I mean,
12 I think it's important to point out that we do have top
13 engineering talent. The notion, going back to, and Ms.
14 Schenk will remember, she says that this project was put
15 before the public in 2008 in Prop 1A which contemplated
16 going through Palmdale and up over the mountains, obviously
17 people thought it could be done before they asked the public
18 to support it. So --

19 CHIEF EXECUTIVE OFFICER MORALES: And, Mr.
20 Chairman, if I could just -- and I would also say we, you
21 know, we are fortunate, in part because of the issues we
22 face in California, seismic issues and other things, we have
23 some of the, you know, the leading experts in the world
24 on -- on some of these issues, on seismic challenges in
25 particular. But we also have the ability to tap into the

1 best thinking around the world on these issues. And we have
2 that through both contractual mechanisms but also memoranda
3 of understanding that we have with other governments and
4 others for information sharing. And you know, other
5 countries, Japan has built a system that goes through very
6 similar sort of terrain, and we draw on that expertise.

7 So you know, we -- we go forward with this and
8 full confidence that we will meet all of the requirements in
9 full cognizance of what those requirements are and with the
10 best possible advise as we do it.

11 CHAIRMAN RICHARDS: Okay, any questions for our
12 CEO on this? Okay.

13 Turning then to the agenda, let's move to item
14 three, which is the consideration of approval of a term
15 sheet for procuring PMT, Program Management Team, services
16 and potential extension of the current contract for a
17 transition period.

18 Mr. Jarvis, good morning.

19 MR. JARVIS: Good morning, and good morning,
20 Chairman Richard and Board Members. The -- can I just
21 confirm, you see this slide; right, the slide presentation
22 on your screens?

23 CHAIRMAN RICHARDS: Right now we're not -- we're
24 not even seeing the Price Is Right on these screens.

25 MR. JARVIS: Okay.

1 BOARD MEMBER FRANK: There you go. I tapped my
2 screen and it activated.

3 BOARD MEMBER SCHENK: Oh, yeah.

4 BOARD MEMBER SELBY: There we go.

5 BOARD MEMBER PEREZ-ESTOLANO: Thank you.

6 MS. NEIBEL: Oh, there it is.

7 CHAIRMAN RICHARDS: Okay.

8 MR. JARVIS: Okay. All right.

9 CHAIRMAN RICHARDS: I just want the record to show
10 it took a lawyer to solve that particular technical problem.
11 So that was -- that was funny. Okay.

12 MR. JARVIS: All right.

13 CHAIRMAN RICHARDS: The answer to your question
14 now is, yes, we have this in front of us.

15 MR. JARVIS: Very good. So the purpose of this
16 presentation is to provide you an update in procuring
17 Program Management Team services, and as we move forward
18 we're going to now be calling it the Rail Delivery Partner,
19 and obtain Board approval for the two resolutions that you
20 have. One is release of the final RFQ to procure services
21 for program management integration and program delivery, and
22 the other resolution is an extension of the current PMT
23 contract for services necessary to complete this transition.

24 But before we talk about the new model it's
25 important to understand what our Program Management Team has

1 been supporting us in. And so some of those primary
2 functional areas that the authority has been receiving
3 support are: Implementation planning, preliminary
4 engineering, NEPA/CEQA compliance and environmental
5 services, engineering services, procurement, and
6 construction management services. So you can see it's a
7 very broad contract and they support us in many ways.

8 But our program has made significant progress over
9 the last two years. Just to mention a few of the areas of
10 progress is the authority management team has been expanded.
11 We have begun designing construction on the nation's first
12 high-speed rail as evidenced by Construction Package 1, an
13 executed contract. And we're procuring CP 2-3. We achieved
14 environmental approval for Fresno to Bakersfield. And we
15 have secured funding for capital costs through SB 1029 and
16 cap and trade. And that enables us to advance on multiple
17 segments concurrently and accelerate the delivery of the
18 program.

19 So because of that progress we really have
20 expanded from a planning and preliminary design phase to
21 include more program delivery and moving forward towards and
22 planning for operations. And as I said, that gives us an
23 opportunity to really focus on accelerating the sections
24 concurrently and try to deliver the system sooner.

25 So with this new model there will be some new

1 emphasis areas. And those include delivery and system
2 integration, seismic and tunneling, alternative delivery
3 methods, high-speed rail systems, procurements and
4 contracts, and operations and maintenance. So those are
5 some of the major areas where there will be more of a focus
6 on as we move forward.

7 So what will be the role of our rail delivery
8 partner? Well, they will play a lead role in program
9 management, which they have done in the past, but more of an
10 emphasis on program delivery. And then as I also said there
11 will also be an emphasis on overall program integration as
12 well.

13 And one of the changes that we're making in the
14 contract is more enhancement in the accountability of the
15 consultant for program delivery and project execution. And
16 part of that there will be performance measurements that we
17 will track, and there will be a certain amount of the
18 payment that will be at risk depending upon the performance
19 of the rail delivery partner. So what we will be doing is
20 expanding our current contract capabilities to focus on
21 those future needs that -- that I mentioned.

22 But one of the things that we really want to
23 emphasize is that although our new rail delivery partner
24 will play a big role in delivering our program with us, the
25 Board of Directors and Authority Staff will continue to

1 provide the overall leadership and direction of the High-
2 Speed Rail Program. And therefore we will have that
3 oversight rule and that ultimate responsibility for the
4 program.

5 So the three main areas of scope of work, program
6 management integration with the entire program and program
7 delivery. So at a high level what -- what does that mean?

8 Program management will be continued to manage and
9 provide oversight for various functional components of -- to
10 deliver the program and to manage the program. And also
11 what we're looking for is a team that can help support us in
12 critical decisions regarding some of those higher level
13 strategic decisions that we need to make pertaining to
14 program delivery approach, business cases, master planning,
15 alternative delivery methods, etcetera. We're also looking
16 for a team that will help us for this overall program
17 integration. I mean, ultimately we'll have dozens of
18 contracts, but they're going to all come together for a
19 comprehensive system, and so integration is very important
20 as we look forward.

21 So we want a rail delivery partner that will
22 oversee and be responsible for the coordination and
23 compatibility between the contractors, the trades, the
24 projects, the technologies for the programs so ultimately it
25 all -- it all comes together.

1 And then, you know, really we're -- we're all here
2 to really focus on the delivery of the program. So there is
3 an enhanced emphasis on program delivery in the new contract
4 and the specialized expertise that is necessary to oversee
5 some of those technical work packages.

6 One of the things that we've done in October and
7 November is Authority Staff has met with eight firms
8 regarding this rail delivery partner contract. And the
9 purpose was to receive input from industry before we begin
10 the procurement for an expanded team, and expanded team that
11 will have proven experience in both large-scale, management
12 and international high-speed rail technical delivery. So it
13 was our opportunity to meet with these teams and get their
14 input.

15 And there are a few key takeaways that are
16 elaborated on in the memo, but I'll touch on a few here.
17 One is I think it's pretty clear that the new model, as we
18 move forward it's going to require some proven high-speed
19 rail experience. Not surprisingly, from the teams we heard
20 that our procurement schedule is very accelerated, and they
21 would like some kind of a lengthening of that overall
22 timeline and to help increase the competition. And so we
23 will do the best that we can with that process for
24 procurement.

25 And then also we really did get the feedback that

1 our plan for performance-based contracting with a payment at
2 risk, that's sensible and that's reasonable based upon the
3 program that we have.

4 So what are the general contract terms and costs?
5 One of the things that came out of this with -- with
6 industry is that really a seven-year contract makes sense,
7 to 2022, and that corresponds with planned high-speed rail
8 operations, the starting of operations within the state,
9 with the opportunity for contract extensions.

10 The estimated cost, currently the PMT costs is
11 approximately \$5 million a month. There will be the two new
12 areas that I discussed, program integration and program
13 delivery. So we estimate that the costs will be somewhat
14 more than -- than what it is now, in the range of \$6 million
15 to \$8 million per month. And it will be a qualifications-
16 based procurement, and so we will go through the standard
17 architectural and engineering, A and E RFQ process.

18 And one of the things that we're going to require
19 is their program delivery approach. And that will give us
20 an opportunity to evaluate that -- that approach, and in
21 that will be performance criteria that we'll be asking for
22 their proposals for that, as well.

23 So the schedule that we're looking at is next
24 month in December, release a draft RFQ for comment. And
25 that was something that came out of the industry outreach

1 was that it will be beneficial to release a draft RFQ and
2 then get industries input on the RFQ before we finalize it
3 and release the final RFQ in -- in January.

4 And then things are going to be moving pretty
5 quickly. The statement of qualifications are due in March.
6 In April we will have interviews with the offerers, and then
7 move on to negotiations with the highest scoring proposer.
8 In May we will recommend to you award of a rail delivery
9 partner. And then June, issue the notice to proceed and
10 then begin any transition period that -- that we need with
11 our existing PMT.

12 So in a nutshell, that's -- that's the plan moving
13 forward. And I'd be happy to take any questions that you
14 might have.

15 CHAIRMAN RICHARDS: All right. I will have a
16 question, but I'll wait, look to my colleagues.

17 Questions for Mr. Jarvis about this?

18 BOARD MEMBER PEREZ-ESTOLANO: I have a question.

19 CHAIRMAN RICHARDS: Okay. Ms. Perez-Estolano.

20 BOARD MEMBER PEREZ-ESTOLANO: Okay. Thanks.

21 Scott, thanks a lot for the very detailed Board
22 memo, and also outlining I think what is to me a reassuring
23 kind of process that you've gone through to kind of refine
24 our -- kind of what we do, how we do it, and to make sure
25 that it's what we need going forward. So talking to the

1 industry folks, which I think was really important to
2 understand what we -- how we needed to crack this. But then
3 also getting the feedback, doing a draft RFQ, I think I'm
4 just really excited about how we're going about this. And
5 also the way in which we're refining the goals of our team
6 that we'll be working with, to me that's important. And I'm
7 just going to assume that, obviously -- by the way, thanks
8 for including the materials so that we can go through them
9 and giving us actually more than usually, which is nice. I
10 appreciate that.

11 What I did want to ask is I -- because we just --
12 we received this as an addendum and I didn't get a chance
13 just -- this is all going to have all of those requirements
14 of our normal operating procedures, the 30 percent and the
15 DBE (phonetic), all those things are still there. We're
16 going to be doing all the exercises to reach out to small
17 businesses, all the forums, and kind of marrying the primes
18 with the subs and things like that, all that is part of this
19 process?

20 MR. JARVIS: Yeah, that is correct. The 30
21 percent small and disadvantaged business enterprise goal
22 will be part of this contract. And we will have an industry
23 outreach as part of this procurement process, as well, to --

24 BOARD MEMBER PEREZ-ESTOLANO: Uh-huh.

25 MR. JARVIS: -- you know, encourage and match up

1 the small businesses, yes.

2 BOARD MEMBER PEREZ-ESTOLANO: And I also just want
3 to say thank you for giving our -- the teams more time to
4 respond and put their -- their teams together to be
5 responsive to us. Because I think giving them the time to
6 really, you know, craft and build the right kind of
7 expertise that we're looking for is going to give us better
8 submissions. So --

9 MR. JARVIS: Yeah.

10 BOARD MEMBER PEREZ-ESTOLANO: -- thank you for
11 this.

12 MR. JARVIS: You're welcome. You're welcome.

13 BOARD MEMBER PEREZ-ESTOLANO: That's all.

14 MR. JARVIS: Okay.

15 CHAIRMAN RICHARDS: Colleagues, I'm going to ask
16 our indulgence for a moment. This is a very important item
17 and I want to make sure that all of us have an opportunity
18 to ask our questions. This is our biggest contract. And so
19 I don't want to give short shrift to this. And I know our
20 CEO Mr. Morales had some thoughts that he wanted to convey
21 as well.

22 However, we are graced with the presence of the
23 Senate Leader who has just come to visit us and allow us
24 to -- to offer our thanks to him a commendation for an
25 outstanding term of leadership, representing not only this

1 community but the entire State of California. So what I'd
2 like to do is take a time out on this item, come back to it
3 after we move to item two which the commendation for the Pro
4 Tem.

5 Let me just say, as we ask Senator Steinberg to
6 come forward, we're very grateful that you would take some
7 time this morning to come and visit us. We were just
8 talking about the report that we've given to the legislature
9 pursuant to Senate Bill 1029, a periodic report. And Mr.
10 Morales and I were commenting recently that stepping back
11 from the day-to-day of this and looking at it on a six-month
12 timeframe, there's been a tremendous amount of progress
13 that's been made. Things are really moving forward.

14

15 None of that progress would be possible, none of
16 it, without your leadership Senator Steinberg. And I have
17 to say that, you know, people talk about just-in-time
18 manufacturing. But passing the senate with one vote for our
19 appropriation, we had just enough to get us through that but
20 it's made all the difference, and that's why we're sitting
21 here today.

22 So I know Mr. Morales wants to make some remarks,
23 but I'd just like to start by saying that it's been an honor
24 and a privilege and a real pleasure getting to you know
25 personally and having the opportunity to work with you.

1 We'll be forever grateful for your leadership in 2012 and
2 getting us through that process. But beyond what you did
3 specifically for California high-speed rail on that
4 occasion, your leadership in Senate Bill 375 and having the
5 vision of our transit and land use need to work together in
6 the future is something that I think you're going to be
7 remembered for.

8 And you may not recall this but the very first
9 time I met you, you were hurrying to a meeting and I
10 interrupted you. You looked over like, oh, what is this
11 latest interruption, and I just introduced myself and said I
12 had just been appointed to this Board, and that we were
13 going to make high-speed rail the model of how Senate Bill
14 375 works in California. And we're still committed to that.
15 We now are graced with a Transit Land Use Committee headed
16 by Ms. Perez-Estolano and also by your appointee, Mr. Frank.
17 And so we're very, very serious about that, but we're on our
18 way. And we will -- we will deliver this project for the
19 people of California.

20 And I would just say one other thing too. What I
21 thought was most unusual about my work with Senator
22 Steinberg in 2012 was that the entire time that he was
23 leading the dialogue in his caucus, and it was a dialogue
24 because he gave people with questions and descending views a
25 full opportunity to express those, at no time did he ever

1 turn to me and do what I think most politicians would have
2 done, which is to say, well, wait a minute, what's in this
3 for my backyard, what is it that I'm getting out of this
4 personally politically. He had his eye on the broader
5 implications for the state and never once did he ask for
6 some special treatment or anything like that.

7 I thought that was just remarkable, Senator, and I
8 thought it was the mark of a true leader of our state. And
9 I just want to tell you how much I was impressed by that and
10 how much I appreciate it.

11 So we do have a resolution. Our colleague Mr.
12 Henning has suggested that we correct because there's one
13 whereas clause that says that you were elected by your
14 caucus to serve as President Pro Tem. And Mr. Henning
15 pointed out that no, in fact, you were elected by the entire
16 senate in that -- in that role.

17 (Colloquy Between Board Members)

18 We love having former legislative staffers up
19 here. It helps keep us out of trouble.

20 So I just wanted to share those thoughts. And I
21 would turn to our CEO Mr. Morales who worked very, very
22 closely with you on the other funding source for us that was
23 vitally important, which was the cap and trade dollars, and
24 ask him to say a few words before we invite you to speak.

25 CHIEF EXECUTIVE OFFICER MORALES: Great. Thank

1 you, Mr. Chairman.

2 Just very briefly, I do want to thank the Senator
3 for his great work and support. And I think we have been
4 very fortunate as a state, and certainly this program has
5 benefitted from real leadership in the legislature, you
6 know, working with the Governor to make sure that we can
7 move forward. And you know, my characterization, I think
8 much like yours, of Senator Steinberg is that his tenure
9 really has been marked by vision and having a view of what
10 California can be, should be and will be as we go forward.

11 And we are -- I often point out in talks that
12 every -- every big program, every big decision is
13 controversial. And you know, you look at some of the things
14 that have shaped California today. The master plan for
15 higher education which created in effect the UC system as
16 the premier public university research system, and the vote
17 passed by a single vote when it passed. The state water
18 system passed by a single vote. And you know, we look back
19 now 50 years later and it's hard to imagine what California
20 would be like without those.

21 And I firmly believe that the same will be true of
22 this program. And we'll look back and thank Senator
23 Steinberg for making sure we got that one vote. And this
24 past year I think we got by with two votes. So it wasn't
25 even close this last time.

1 But the Senator has been just a tremendous leader
2 on this. And as a former staffer myself, also, I do want to
3 point out, two, he's had just a fantastic staff to work
4 with, that we have appreciated their efforts. And so I
5 would just join in thanking the President Pro Tem.

6 CHAIRMAN RICHARDS: Thank you. Mr. President Pro
7 Tem, welcome.

8 Oh, yes, Ms. Schenk?

9 BOARD MEMBER SCHENK: Darrell, it's a privilege.
10 I've known you for a very long time. We won't say how long.
11 And everything that -- that the Chairman and our CEO said, I
12 echo and say absolutely true. And in working with you over
13 the years on many issues no one has ever mistaken your
14 thoughtfulness, your deliberative approach, your openness
15 for lack of conviction. And personally I appreciate how --
16 how long you have been a supporter, and that you took that
17 to your leadership post. And I wish you ever good thing in
18 the future. And we're not going to let you go out of public
19 service, one way or another.

20 SENATOR STEINBERG: Or another. Thank you.

21 BOARD MEMBER SCHENK: Thank you, Darrell.

22 SENATOR STEINBERG: Thank you, Lynn.

23 CHAIRMAN RICHARDS: I just also want to say that
24 we've been very privileged to have outstanding members of
25 this Board appointed by both houses of the legislature. But

1 I'm really -- it's been -- it's been great developing the
2 personal and professional relationship with your two
3 appointees. They've just been stalwarts on this Board.

4 And so I'd like to turn to Mr. Hartnett and Mr.
5 Frank for comments, as well.

6 VICE CHAIR HARTNETT: Thank you, Mr. Chair.

7 Without being entirely redundant of --

8 SENATOR STEINBERG: Oh, go ahead.

9 VICE CHAIR HARTNETT: You know, I have my notes.
10 We went over it before the meeting.

11 I -- Senator Steinberg is obviously a remarkable
12 leader who not only has vision but knows how to accomplish
13 the vision. And one of the very interesting things to me in
14 terms of my appointment here is that there was no
15 expectation set for me in terms of specific tasks that
16 Senator Steinberg had in mind. In fact, I felt, based upon
17 my appointment, that he was entrusting me with a tremendous
18 responsibility. He was entrusting me with working towards
19 that vision of high-speed rail with all that I could muster.
20 And there was no expectation other than that.

21 And I feel really personally privileged and
22 honored to have received that trust. And it has motivated
23 me even more to do the best possible I could to accomplish
24 that vision which I think is so important to the State of
25 California and so important to our entire country. And we

1 know that we would not be here today with the
2 accomplishments that we have made if it had not been for
3 you, Senator Steinberg. Thank you very much.

4 CHAIRMAN RICHARDS: Mr. Frank.

5 BOARD MEMBER FRANK: I've had the pleasure and
6 privilege of knowing Darrell Steinberg for -- for over 20
7 years. He was my city council member, my assembly member,
8 and for the last eight years my state senator. And I've
9 been delighted to watch his -- his accomplishments over that
10 period of time. I think he's compiled a record of public
11 service second to none and taken on some very difficult and
12 important issues, whether it relates to mental health issues
13 or political reform and accountability, or certainly one of
14 my -- an issue that's near and dear to my heart, and
15 environmental policy. Senator Steinberg has been a true
16 leader, and your record of accomplishment will be long
17 remembered and appreciated.

18 And I, too, am very grateful that you reached out
19 to me and appointed me to this -- to this Board. My
20 experiences, the same, exactly the same as Vice Chair
21 Hartnett said, with no direction or pressure to do anything
22 other than to use my best judgment to serve this Board and
23 the people of the State of California. So I'm very grateful
24 to you, Senator. And I, too, hope that you will continue in
25 some fashion to -- to serve the public, which has really

1 been demonstrated the last two decades, as your true
2 calling.

3 SENATOR STEINBERG: Thank you, Frank.

4 CHIEF EXECUTIVE OFFICER MORALES: One last comment
5 on the Senators conviction. And I think, you know, there
6 were dark days in the summer when things looked like they
7 were going the wrong way. And he never lost his faith, and
8 the Giants rewarded him by winning the World Series.

9 SENATOR STEINBERG: Thank you. Yes, they did,
10 three times.

11 CHAIRMAN RICHARDS: Senator?

12 SENATOR STEINBERG: Mr. Chairman and Members, and
13 Mr. Morales, thank you, first of all, for the honor and the
14 very kind words. And I return the thank you to you because
15 I was privileged to be an implementer of your vision who --
16 Lynn Schenk and others who had championed this for a long,
17 long time.

18 And I'm going to say as I exit public service, at
19 least this chapter, we'll see what the future -- we'll see
20 what the future holds, but as I exit I know even more
21 strongly what I've known all along, which is the experience
22 of serving in public life is great, you make many friends
23 and you have great experiences, but all that matters in the
24 end is what you actually get done. And for good or for
25 otherwise I was called upon to lead during very, very

1 difficult times. And certainly much of my tenure was marked
2 by having to make cuts and having to tear down a lot of --
3 of things that I believe very, very strongly in.

4 And one of the reason why the high-speed rail
5 project is so important to me in terms of my own experience,
6 but I also think important to the people of California, is
7 because it demonstrates the other side of what government
8 working with the private sector, what our state can do, and
9 that is to build. And building is a metaphor in one sense
10 but it's real in this sense.

11 And I will count our work together as one of the
12 highlights of my public career, both because of its
13 significance, but frankly, also, because of its drama. If
14 it had been easy then, you know, anybody -- as I say,
15 anybody can press the green or the red button and I suppose
16 anyone can lead well during the good times.

17 But what was interesting about that debate, among
18 other things, was that I had a 25-member caucus. The
19 minority party was uniformly against the project. Of the 25
20 members 4 were clearly on principle opposed to the project,
21 and they were good members. And you know, they -- they were
22 thoughtful in their approaches. So I had to pull what was
23 the equivalent in poker, I suppose, of an inside straight in
24 order to get this vote. It was 21 out of 21. And while I
25 appreciate the kind words about my not ever asking anything

1 for my district, there were many who did and -- as you
2 recall.

3 CHAIRMAN RICHARDS: Yes, I do.

4 SENATOR STEINBERG: And I appreciate what my
5 friend Lynn Schenk said about never confusing being nice
6 with not having conviction, because I often get accused of,
7 you know, being too nice for -- to be the leader. But you
8 know, you can make up for whatever that trait is with being
9 persistent. And -- and the ability of a leader to be able
10 to lock the door once in a while and say -- and say we're
11 going to get this because we have to get this. And I
12 understand the arguments at the time against it. But the
13 arguments in favor of it were much more persuasive; high-
14 wage job creation, modern transportation, infrastructure,
15 clean air, all of that.

16 And I will count this as one of my great
17 experiences. And even though I was only part of it because
18 you had a Governor and you had the other house and you had
19 many people and pioneers here who deserve more the credit, I
20 will count this among my greatest accomplishments. And I'm
21 just really thrilled that I've had the opportunity to serve
22 and to serve during this tumultuous time, as I conclude by
23 saying that when people ask me about my tenure I say that it
24 was rich, it was torturous, and it was ultimately great
25 because we got a lot done and the state is in better shape.

1 And this is a lead example of why the state is in better
2 shape. So thank you, thank you, thank you. And I look
3 forward to working with you in the future. I appreciate it.

4 CHAIRMAN RICHARDS: Thank you, Senator. So I
5 know -- I know you have many of these on your wall, but we
6 do have --

7 SENATOR STEINBERG: Never enough. Never enough.

8 CHAIRMAN RICHARDS: -- we do have a commendation
9 for you. And I'm going to ask not only Mr. Morales, our
10 CEO, but also your two senate appointees to the Board to
11 walk down with me so we can present this to Pro Tem.

12 (Senator Steinberg is presented with a commendation
13 for his service as President Pro Tempore of the
14 California State Senate.)

15 CHAIRMAN RICHARDS: Well, thank you again, Senator
16 Steinberg, and thank you, Colleagues. It felt good to
17 recognize -- recognize the achievements of Senator Steinberg
18 and his help and our moving this program forward.

19 We'll now return to item three, buckling down to
20 the actual work of this body. And so Ms. Selby had a
21 question next.

22 BOARD MEMBER SELBY: Thank you, first of all, for
23 a very good report. And I have a much better understanding
24 of how it's going to work. And I understand -- one of my
25 questions has to do with the transitions, the whole concept

1 of transitions.

2 MR. JARVIS: Yes.

3 BOARD MEMBER SELBY: And that, to me, makes a lot
4 of sense, to have transitions. I'm just wondering in the
5 overall sort of structure, looking at budgets and things
6 like this, does this fit within the budget of what we
7 thought this was going to cost when you add in the cost of
8 the transitions, both from this stage to the rail delivery
9 partner, and then from the rail delivery partner, sort of
10 extending into operations?

11 MR. JARVIS: Yes, I mean, that's a good point.
12 There's an overall budget for the program, obviously capital
13 and support. And you know, this does fit within that
14 overall budget for the program. So we anticipate with the
15 transition the rail delivery partner, you know, to be
16 ramping up in costs during the transition and the existing
17 PMT to be ramping down. So in a sense it's not like we're
18 paying double for the entire six month or so transition
19 that -- that there is. But -- but, yeah, that -- that's
20 factored into the overall cost of the program.

21 BOARD MEMBER SELBY: And that was my second
22 question. You say sort of \$6 million to \$8 million per
23 month for this new contract which is larger by, I don't know
24 what percent, that gives us \$5 million or so a month for the
25 last contract.

1 MR. JARVIS: Yes.

2 BOARD MEMBER SELBY: And my question there is like
3 does it -- is it really more and do you need to have that in
4 the budget where it sort of starts out lower and then it
5 peaks and then it goes down again, or does it need to be a
6 flat? I mean, it's an estimate, so maybe it doesn't matter.
7 But in my mind I see, you know, some sort of a curve where
8 it's going to be smaller at the beginning and then it's
9 going to really peak.

10 MR. JARVIS: Yeah.

11 BOARD MEMBER SELBY: And then it's going to go
12 down on the other end.

13 MR. JARVIS: Yeah. That is correct. It is an
14 estimate. One of the things that we should be aware of is
15 that we do have an amount of flexibility with the budget
16 overall. We go through an annual work plan process. And so
17 before each fiscal year we work with the consultant to plan
18 the work for the coming fiscal year and what will those
19 services be, what will be the deliverables, the schedule,
20 the budget, and so forth. So it's important, I think, to
21 understand that within the context of the overall budget is
22 that we do have flexibility of how we manage this -- this
23 budget.

24 But specifically with your question, I mean, yes,
25 there -- there will be a ramping up of the new contract

1 costs. It's -- you're not going to start completely staffed
2 up immediately. And then also, importantly, is that there
3 will a transition of where those costs are being allocated.
4 I mean, I talked about kind of the three major areas of --
5 of program management, integration and program delivery.
6 And we think, you know, early on there will be more costs on
7 the -- on the program management part and really kind of the
8 corporate, putting together the overall organizational
9 structure and making sure that's in place. But as time goes
10 on and we have more of these projects going on throughout
11 the state there will be more of a transition where the costs
12 will be more focused on the program delivery and the
13 projects themselves.

14 BOARD MEMBER SELBY: Okay. And then my -- my last
15 question, I think, is having to do with -- I love the idea
16 that -- that you had people come together to talk about
17 the -- is it an RFP or RFQ --

18 MR. JARVIS: Uh-huh.

19 BOARD MEMBER SELBY: -- before -- before putting
20 it out. And I wondered if you would consider including a
21 small business or several small business folk in that
22 process next time. Because I think -- I think that might be
23 an interesting addition and would put primes together with
24 small business people at the point that you're creating the
25 RFQ.

1 MR. JARVIS: Sure. Yes, we can do that. And we,
2 you know, as I talked about earlier, we still do have an
3 opportunity with the small businesses as we have industry
4 outreach and move forward with the procurement on this, as
5 well, so --

6 BOARD MEMBER SELBY: So is there another point
7 where you would be bringing together the various players
8 where you could actually incorporate small business?

9 MR. JARVIS: Yes. We're going to have an industry
10 outreach forum for -- for this. And that's an opportunity
11 for us to bring in small businesses, as well, just for
12 communication, education, collaboration among the teams.

13 BOARD MEMBER SELBY: Before the RFQ is finished?

14 MR. JARVIS: Yeah.

15 BOARD MEMBER SELBY: Okay.

16 MR. JARVIS: Yes.

17 BOARD MEMBER SELBY: Thank you.

18 MR. JARVIS: Okay.

19 CHAIRMAN RICHARDS: I had a question also.

20 But, Mr. Morales, did you want to comment first,
21 or let me just see if there are other colleagues on the
22 Board who had questions at this point. Okay.

23 CHIEF EXECUTIVE OFFICER MORALES: Yeah. I just
24 wanted to offer a few comments, in part of Ms. Selby's
25 questions on the -- the cost and the scale. I think it's --

1 because it's -- it is an important point I think to make
2 about this -- this contract, as well as a lot of our other
3 contracts. And it -- it's that this outside support
4 reflects and compliments our organizational model, and now
5 also the status of the program and what the program needs
6 are.

7 And you know, we were set up as an organization by
8 the legislature in a very different business model than what
9 typical state agencies have, and the contrast being
10 Caltrans, for instance, and they're just different. I'm not
11 saying one is better than the other, they're just
12 fundamentally different models. Where Caltrans does
13 essentially 90 percent of its work internally with 10
14 percent of it outsourced, we are the exact opposite. We're
15 10 percent internal, 90 percent outsourced, and that's
16 primarily because we are a single-purpose agency. Our job
17 is to deliver this program, whereas -- whereas Caltrans has
18 ongoing needs, often to perpetuity.

19 And so when you see the scale of a program like
20 that I think it's important again just to remember that this
21 is in lieu of building a permanent state staff with the
22 expertise that would be required to do. We are able to go
23 out and secure outside help for the time we need them and
24 then move on. And so I just want to make sure that that
25 understanding is there.

1 CHAIRMAN RICHARDS: And I would just say that I
2 think that's a very important comment. We all know that in
3 the history of this program, which has been controversial,
4 that even the PMT's role has been controversial at various
5 times.

6 And I still remember, Mr. Morales, one of the
7 first conversations that we had where you said that you
8 thought that at point too many decisions that should have
9 been made by -- by public officials, a public entity, were,
10 in fact, being defaulted to be made by the -- by the outside
11 contractor. I think that situation has entirely rectified
12 itself in the last two years, especially under your
13 leadership. And I feel very comfortable that the Board is
14 making policy decisions that you and your leadership team
15 are making technical decisions how to implement those
16 policies with professional help from an outside program
17 management consultant.

18 It seems to me, also, that it's worth mentioning
19 that the fact that we are looking at a re-compete or a
20 competition for this in no way reflect upon either the --
21 the professionalism or the level of satisfaction with the
22 current PMT. You have brought to this Board on several
23 occasions in the last six or eight months a pretty
24 consistent theme that there are times when you have to step
25 back after some transition and re-compete these.

1 And in talking about this with you before this
2 item came to us today you made what I thought was a very
3 critical point that I would just repeat on your behalf,
4 which is that we're now moving into an entirely different
5 phase of the project. We're moving beyond conceptual
6 design, beyond high-level environmental analysis to the
7 actual delivery of this project and the integration of
8 various aspects of this project. So it calls for a
9 reexamination of the scope. And I think that that -- you
10 know, so I certainly thought that the documents laid that
11 out very well.

12 I did have one question, but I see Ms. Schenk has
13 a question.

14 BOARD MEMBER SCHENK: No. Go ahead.

15 CHAIRMAN RICHARDS: Well, my only question which
16 was raised with me, and I can either direct it to Scott or
17 to you, is you are identifying three different functions
18 here, including program integration and program delivery.
19 Is it the expectation, is it the necessity that a single
20 contractor would be the one to handle all of those or are
21 these functions that actually could -- could you end up in a
22 situation where people can bid on one without bidding on all
23 of them? And I don't know if that is desirable for us or
24 not. What's in your mind for that?

25 CHIEF EXECUTIVE OFFICER MORALES: The way the RFQ

1 is structured is it -- it is a single contract but would,
2 again, have these three very distinct components to it. And
3 that's been part of our industry outreach process is -- is
4 how to best structure it in a way that gets best value for
5 us as the state agency, but also provides the most
6 advantageous situation for -- for potential bidders and
7 enhances competition.

8 The elements that we're seeking, the three key
9 elements are discrete enough and specialized enough that I
10 think it -- we're not going to dictate, obviously, teaming
11 arrangements or anything along those lines, but --

12 CHAIRMAN RICHARDS: Right. But it would be more
13 teaming than individual?

14 CHIEF EXECUTIVE OFFICER MORALES: We would
15 expect -- right. And by -- and as Scott's presentation
16 specifically noted, you know, specifically with regard to
17 the integration piece, we're looking for proven high-speed
18 rail experience. And so whoever wins this will have to be
19 able to demonstrate that corporate experience. And so I
20 think we're -- we've worked to cast the net widely, and I
21 think we're seeing a positive response from the industry.

22 CHAIRMAN RICHARDS: Thank you.

23 Ms. Schenk?

24 BOARD MEMBER SCHENK: Thank you. Thank you, Mr.
25 Chairman. I just wanted to -- I don't think this on.

1 CHAIRMAN RICHARDS: I don't think so.

2 BOARD MEMBER SCHENK: I don't think it's --
3 there's a bad connection here.

4 I just wanted to say that you're and Jeff's
5 recounting is very accurate. And we -- we shouldn't forget
6 that in the very early days of the -- the project, I mean,
7 we had, you know, one full-time staffer and a couple of
8 part-time staffers, and we had a Board, including myself,
9 who were part-time once a month. And so the requirements
10 are overwhelming, and so we defaulted to outside help. And
11 they did take on a role by default that should not have
12 happened. It was a matter of circumstance. It was a matter
13 of just not having the bandwidth to take charge of it the
14 way we would have hoped.

15 We have evolved to an excellent point right now.
16 And you described it very accurately, the role of the Board,
17 the role of management. But let's not that from the
18 beginning the whole point of this was to create jobs in the
19 private sector and not to build a big public infrastructure.
20 So the -- the 90/10 split is, I think, appropriate without
21 our giving up the responsibility of oversight, hands-on
22 where we need to be hands-on, but making sure that the jobs
23 and the -- the actual work gets done by the private sector.

24 So thank you very much for -- for this.

25 CHAIRMAN RICHARDS: Thank you, Ms. Schenk.

1 Vice Chair Hartnett, and then Mr. Frank.

2 VICE CHAIR HARTNETT: Thank you, Mr. Chair.

3 Sorry, just a couple of observations, as well.

4 First, when this next comes back to us I think in
5 the report we should have the budget information so we see
6 how this fits within the budget. We -- we knew it would,
7 but I think it should be included in the report so we know
8 the figures in advance and can ask any questions if we wish
9 to.

10 Secondly, I would like to reemphasize Ms. Schenk's
11 comment that I wholeheartedly agree with, that to me this
12 is -- this is a tremendously important contract at this
13 stage in the life of this organization. And at every -- at
14 every stage there have been difficult decisions and
15 important decisions to make, but this one is right up there.
16 And so I appreciate the deliberateness with which this has
17 been approached because it is a recognition of this has got
18 to work and it's got to work well.

19 And so not only in the contracting process with
20 the outreach you've done to industry and you're continuing
21 to do, but I think we need to -- and I know CEO Morales is
22 doing this, but it's important that we make sure that as we
23 proceed with this -- we are being asked to approve the
24 sufficient staffing level and other requirements that we
25 should approve, to make sure that the Authority is managing

1 this PMT. I think it's -- we're at that -- we're at the
2 stage where we can't default to anything. This is -- this
3 is just so critically important.

4 So I just wanted to emphasize that. I know the
5 staff already knows that. But I can't imagine at the moment
6 a more important contract for us as we move forward. There
7 will be other difficult ones to -- to make decisions on in
8 the future.

9 And I'm pleased with the team approach, quite
10 honestly. I think that the kinds of experiences that we
11 need are pretty wide-ranging. And I think it's important
12 that they come through one team as compared to several
13 different entities. And so I do think the team approach is
14 an appropriate one, particularly with the kind of expertise
15 that we need. Thank you.

16 CHAIRMAN RICHARDS: Thank you.

17 Mr. Frank?

18 BOARD MEMBER FRANK: I want to go back to, Scott,
19 your presentation. If I -- if I heard you correctly it
20 sounded as if in part of your outreach to potential PMTs
21 there was some expression of concern by those candidates
22 that the -- that the pace of things was a little too quick
23 and they wanted to slow down the process a little bit. I
24 was hoping that you could expand upon that a little bit
25 because I confess my concern and biases that we continue to

1 proceed with the implementation of this project on a very
2 expeditious basis. And I'd be concerned if -- if under this
3 contract process there were a slowdown of our -- of our pace
4 of effort.

5 CHAIRMAN RICHARDS: Yeah. I might just underscore
6 that there's a certain 76-year-old Governor who is prone to
7 call up and want to know when the hell he's going to get to
8 ride this thing. So I don't really think he's got in mind
9 slowing the pace either.

10 But Mr. Jarvis?

11 MR. JARVIS: Yes. I mean, that -- that was one of
12 the themes, as I mentioned. And part of that is because of
13 the teaming approach that's been discussed. I mean, it
14 takes a while for these teams to, you know, communicate and
15 make those contacts and figure out the scope of work among
16 themselves. So, yes, it's a balance of giving of them, you
17 know, the time that they need and continuing to -- to keep
18 the program moving forward at a rapid pace.

19 But one of the things that we were able to do is,
20 you know, get to this point today, if it's approved, and
21 then move forward with a draft RFQ in December. And
22 essentially, in a sense we gave an extra month as far as
23 putting their statement of qualifications together with that
24 extra month of the draft RFQ, and then provide us input, and
25 then we can consider that input and put out the final RFQ in

1 January. So we were able to provide some time in the
2 schedule through -- through that method.

3 CHIEF EXECUTIVE OFFICER MORALES: And as you saw
4 in the schedule that Scott laid out in his presentation, the
5 current PMT contract expires in June of 2015. Our timeframe
6 is to have this new contract in place to take that over and
7 then allow for the appropriate transition. So we're --
8 we're ensuring we're keeping on schedule.

9 We're working within the process to try to give
10 the industry side a little more time. We'll -- we'll cut
11 our review time maybe a little bit if we have to. There are
12 a lot of things that -- that potential bidders have to look
13 at in this. It's a complex decision making process for
14 them, too, because among other things whoever holds this
15 contract will be conflicted from being able to perform, you
16 know, design and construction elements potentially. So you
17 know, they have to weigh that -- that, as well, in terms of
18 interest of parties in bidding on this because it is -- it's
19 a very key central assignment, but it also is -- it's pretty
20 much what they would be restricted to.

21 So there -- there's a lot of decision making on
22 the other side in this, and we want to make sure that we
23 allow for as much of that as possible.

24 CHAIRMAN RICHARDS: Vice Chair Richards?

25 VICE CHAIR RICHARDS: Thank you, Mr. Chairman. I

1 don't need to elaborate too much because each of my
2 colleagues, if we could capsulate all of your statements,
3 that's the exactly the reason why we ought to go forward
4 with this sort of an approach and recognize that we are
5 rapidly moved out, although we will always be an
6 engineering, but we are rapidly a construction project. And
7 I can't think of a better means of attempting to control
8 that project and oversee it than through the approach that
9 you have proposed, Mr. Jarvis.

10 And you should be congratulated, Jeff, with --
11 with moving in this direction. It is far more consistent
12 with where we are.

13 I really appreciated my colleague Ms. Schenk's
14 comments with regards to the fact that we are not a
15 construction or engineering firm ourselves, but rather the
16 purpose of this was to generate jobs in the -- in the
17 private sector. And as you've pointed out, Jeff, this is a
18 single project for us. It's not one of many hundreds of
19 projects, as the Department of Transportation participates
20 in.

21 So for all of those reasons this is really a
22 stroke a very good management on your -- on your part and
23 one which, it appears to me, that we are very much in
24 support of. Thank you.

25 I think that with regards to what Ms. Selby had

1 talked about, it would be good, also, to just get a better
2 sense for us of what actually goes into the work that's
3 being done in the form of giving us some numbers as you come
4 back to us --

5 MR. JARVIS: Okay.

6 VICE CHAIR RICHARDS: -- not on -- just on the
7 broader scale, but for those of us who are slightly more
8 anal, a little bit on the details so we can we can really
9 appreciate what it is that this team will be doing and why
10 that justifies the kind of expenditure monthly that we're
11 going to be approving here.

12 MR. JARVIS: Okay.

13 VICE CHAIR RICHARDS: Thank you.

14 CHAIRMAN RICHARDS: Okay. So just to close, let
15 also say that it's my great hope that the companies who
16 choose to bid on this share the same sense of excitement
17 that we do, that we're at an inflection point in this
18 program. I think that the questions of whether this is
19 going to be built or not are behind us. The questions now
20 are how fast, when and how well we build this. So it's an
21 exciting time for high-speed rail. And I hope that the
22 companies who come to bid on this share our excitement with
23 it, and that would be very important.

24 So with that we -- do we have an action to release
25 this term sheet or no?

1 CHIEF EXECUTIVE OFFICER MORALES: Yes.

2 CHAIRMAN RICHARDS: So I could I entertain a
3 motion from.

4 BOARD MEMBER SCHENK: So moved.

5 CHAIRMAN RICHARDS: Okay. It's been moved --

6 VICE CHAIR RICHARDS: Second.

7 CHAIRMAN RICHARDS: It's been moved by Ms. Schenk
8 and seconded by Vice Chair Richards to move forward with
9 this term sheet.

10 Would the Secretary please call the roll?

11 MS. NEIBEL: Ms. Schenk?

12 BOARD MEMBER SCHENK: Yes.

13 MS. NEIBEL: Vice Chair Richards?

14 VICE CHAIR RICHARDS: Yes.

15 MS. NEIBEL: Vice Chair Hartnett?

16 VICE CHAIR HARTNETT: Yes.

17 MS. NEIBEL: Ms. Perez-Estolano?

18 BOARD MEMBER PEREZ-ESTOLANO: Yes.

19 MS. NEIBEL: Mr. Henning?

20 BOARD MEMBER HENNING: Yes.

21 MS. NEIBEL: Mr. Frank?

22 BOARD MEMBER FRANK: Yes.

23 MS. NEIBEL: Ms. Selby?

24 BOARD MEMBER SELBY: Yes.

25 MS. NEIBEL: Chairman Richard?

1 CHAIRMAN RICHARDS: Yes. Thank you.

2 And, Mr. Morales, Mr. Jarvis, thank you for all
3 the hard work that went into this. Scott, very good
4 materials. And as has been said many times, this one is
5 really important. So thank you for the excellent work on
6 this.

7 I'm going to step away to make a phone call for a
8 little bit. I'm going to hand the gavel to Vice Chair
9 Hartnett. I do want to let people know that on item eight,
10 which is the Finance and Audit Committee quarterly reports,
11 those reports are available. But in terms of a discussion
12 from the Board we decided to hold that over to the next
13 regularly scheduled meeting so that Mr. Rossi could be here
14 in his full glory to -- not that we have any lack of
15 confidence in his colleague, Mr. Richards, but it just --
16 it's just much more colorful when Mr. Rossi --

17 VICE CHAIR RICHARDS: Well, it is better theater
18 for sure.

19 CHAIRMAN RICHARDS: Yeah. Well, that's -- well,
20 it's colorful in every sense of the word, so --

21 VICE CHAIR HARTNETT: I had so many questions for
22 him today.

23 CHAIRMAN RICHARDS: Yeah. That's --

24 VICE CHAIR HARTNETT: You know, typical, I have to
25 wait.

1 CHAIRMAN RICHARDS: That's the reason we want to
2 wait. Okay. Thank you.

3 VICE CHAIR HARTNETT: Okay. Thank you, Mr. Chair.
4 Hurry back.

5 As you know, item four in the amended agenda has
6 been removed, so we go to item five.

7 MS. NEIBEL: Excuse me. Item three had two
8 resolutions.

9 VICE CHAIR HARTNETT: Oh, I'm sorry. The -- the
10 Chair left without completing item three.

11 Can I have a motion on the second resolution? We
12 just lost our CEO here too.

13 BOARD MEMBER PEREZ-ESTOLANO: Do we -- do we have
14 quorum?

15 MS. NEIBEL: Yes.

16 BOARD MEMBER PEREZ-ESTOLANO: Do we have quorum
17 still?

18 MS. NEIBEL: Yes.

19 BOARD MEMBER PEREZ-ESTOLANO: Okay. I'll move it.

20 BOARD MEMBER SELBY: Is this the approval --

21 VICE CHAIR HARTNETT: Yeah.

22 BOARD MEMBER SELBY: Is this the approval to amend
23 the program?

24 VICE CHAIR HARTNETT: Yes.

25 BOARD MEMBER SELBY: Did somebody move?

1 BOARD MEMBER PEREZ-ESTOLANO: Yeah.

2 VICE CHAIR HARTNETT: Yes, it's been moved.

3 BOARD MEMBER PEREZ-ESTOLANO: I moved.

4 BOARD MEMBER SELBY: I second.

5 VICE CHAIR HARTNETT: And seconded.

6 If we can have the roll call please?

7 MS. NEIBEL: Ms. Schenk? Vice Chair Richards?

8 VICE CHAIR RICHARDS: Yes.

9 MS. NEIBEL: Vice Chair Hartnett?

10 VICE CHAIR HARTNETT: Yes.

11 MS. NEIBEL: Ms. Perez-Estolano?

12 BOARD MEMBER PEREZ-ESTOLANO: Yes.

13 MS. NEIBEL: Mr. Henning?

14 BOARD MEMBER HENNING: Yes.

15 MS. NEIBEL: Mr. Frank?

16 BOARD MEMBER FRANK: Yes.

17 MS. NEIBEL: Ms. Selby?

18 BOARD MEMBER SELBY: Yes.

19 MS. NEIBEL: Chairman Richards?

20 VICE CHAIR HARTNETT: And thank you for that
21 catch. We wouldn't want to come back for a special meeting
22 just for that.

23 (Colloquy Between Board Members)

24 VICE CHAIR HARTNETT: We're going to go on to item
25 five of the consideration of making findings pursuant to the

1 government code on the Williamson Act. If we can have our
2 report please?

3 MR. ANDREW: Good morning, Board Members and Mr.
4 Morales. James Andrew, the Assistant Chief Counsel for the
5 Authority.

6 We came to you in August to make some findings
7 under the Williamson Act for parcels that the Authority will
8 need in Madera County. We came to you in September for
9 similar findings for parcels that the Authority needs in
10 Fresno County for the project. Since then some further
11 research and some refinements in the right-of-way process
12 have revealed four other parcels, one in Madera County and
13 three in Fresno County that also require the same findings.
14 It's explained in your Board materials. Otherwise there are
15 no changes to -- to what we presented in August and in
16 September, except for the addition of these four parcels.

17 I'm happy to answer any questions if you have
18 them.

19 VICE CHAIR HARTNETT: Thank you very much for the
20 report.

21 Any questions from -- from the Board?

22 BOARD MEMBER FRANK: Yes. I just -- I was
23 gratified to see in the -- in the staff report at pages
24 seven and eight that per the usual and past practice that as
25 part of these transactions we're obtaining ultimate

1 conservation easements at least a one-to-one ratio to offset
2 the -- the parcels that -- for which we are seeking
3 Williamson Act cancellation of contracts; is that correct?

4 MR. ANDREW: Any -- any place where the project
5 will convert agricultural land to non-agricultural uses
6 there will be the conservation easements put in place, yes.

7 BOARD MEMBER FRANK: Good thank you.

8 VICE CHAIR HARTNETT: Very good comment. Any
9 other questions for comments? Hearing none, do we have a
10 motion to adopt the resolution?

11 BOARD MEMBER HENNING: So moved.

12 BOARD MEMBER FRANK: Second.

13 VICE CHAIR HARTNETT: Director Frank. Director
14 Henning, Director Frank.

15 Please, roll call.

16 MS. NEIBEL: Ms. Schenk?

17 BOARD MEMBER SCHENK: Yes.

18 MS. NEIBEL: Vice Chair Richards?

19 VICE CHAIR RICHARDS: Yes.

20 MS. NEIBEL: Vice Chair Hartnett?

21 VICE CHAIR HARTNETT: Yes.

22 MS. NEIBEL: Ms. Pere-Estolano?

23 BOARD MEMBER PEREZ-ESTOLANO: Yes.

24 MS. NEIBEL: Mr. Henning?

25 BOARD MEMBER HENNING: Yes.

1 MS. NEIBEL: Mr. Frank?

2 BOARD MEMBER FRANK: Yes.

3 MS. NEIBEL: Ms. Selby?

4 BOARD MEMBER SELBY: Yes.

5 MS. NEIBEL: Chairman Richard?

6 VICE CHAIR HARTNETT: Thank you very much.

7 We now get to item six, another action item, non-
8 governmental legal services contract.

9 Mr. Fellenz?

10 MR. FELLENZ: Yes. Mr. Vice Chair, Board Members
11 and Jeff Morales, I'm here to present. I presented last
12 month a similar item. It's really the same one but there's
13 some additional information in the amount of -- of --
14 required or requested here is much lower than it had been
15 last Board meeting. And this is for the continuing legal
16 services from the Nossaman Law Firm. They have a number of
17 areas of legal practice that they provide for us in the area
18 of P3 procurement, design-build procurement, train set
19 procurement, environmental permitting, and also just a
20 general transition planning that's been occurring.

21 For example, they've been working on the -- you
22 just heard a presentation about the transition to a new
23 project management team. And they have been on the team to
24 re-procure that contract. And the reason for that is
25 because Parsons Brinckerhoff would be ineligible to help us

1 re-procure that. So we've been using the resources from the
2 KPMG and Nossaman Law Firm to help us through that
3 procurement process. That will continue for the next seven
4 months or so. So they've been very active in that as well.

5 We again had three main areas of contract
6 procurement. These construction packages, CP 2-3 is -- is
7 going to be completed by the end of this calendar year to be
8 awarded early 2015. CP 4, you'll see a report coming up in
9 a future agenda item, is going to be procured as well. And
10 the RFQ process is taking place over the next several
11 months, again, being completed by the end of this calendar
12 year.

13 We do have some monies remaining in our existing
14 budget in the Nossaman contract. We have about \$1.6
15 million. And the projected expenditure is about \$400,000 a
16 month for that contract. We've been paring it down. I
17 think in October it was -- it was less than that. And so
18 that's where I've come up with the funding request is at
19 that expenditure rate.

20 And then finally we do have some STB legal
21 services that we've procured and are ongoing. For example,
22 right now we're preparing a reply to the most recent
23 submission for a declaratory petition for clarification on
24 preemption with the -- with the Surface Transportation
25 Board. The Nossaman Law Firm works in conjunction with the

1 Attorney General's Office in the preemption area, including
2 these STB petitions that we recently filed.

3 I do have a plan to transition to a competitive
4 bid process for obtaining additional resources. So what I'm
5 asking is for a budget. And I want to quickly transition
6 into looking for outside legal resources to -- to take over
7 the work that this contract is -- is tasked to perform.
8 That would include an opportunity for Nossaman to compete
9 for that, as I would with any other firm that's -- just like
10 Parsons Brinckerhoff has an opportunity to compete for the
11 PMT work as well.

12 I also had been working with Caltrans Legal
13 Division. I've spoken to the -- to the chief counsel there,
14 and he's made a commitment to provide additional resources
15 within the state agency, Caltrans. That would be in the
16 area of some onsite help for our right-of-way services,
17 which they're providing all of anyway now, and also to
18 include environmental permitting. They do have some
19 expertise in environmental permitting. They will provide
20 some resources in the southern area and the northern area
21 for that, they indicated. And also in the P3 procurement,
22 they do have some experience in the P3 arena because they
23 procured the -- Presidio Parkway down in the San Francisco
24 Bay area. But it's a fairly limited number of people that
25 have that expertise.

1 They do have some design-build experience but it's
2 fairly limited. There were only ten projects in -- that
3 the -- that the legislature gave them approval to procure.
4 And that has really gone -- gone through its phases and is
5 almost complete at this time, so I may be able to get
6 additional help there.

7 But the contracts that we're working on are very
8 large complex contracts and they require a lot of legal
9 services. For example, the CP 2-3 contract is estimated to
10 be \$1.5 billion to \$2 billion dollars, as you'll see in the
11 next presentation. So I'm asking to -- for this approval of
12 \$2 million as a budget. And I'll work quickly to go through
13 a competitive process to look for outside resources to the
14 extent that the state can't provide them through the state
15 staff that we have already, the Attorney General's Office,
16 and Caltrans.

17 VICE CHAIR HARTNETT: Thank you, Mr. Fellenz.

18 Ms. Schenk?

19 BOARD MEMBER SCHENK: Thank you, Mr. Vice
20 Chairman.

21 So, Tom, I'm very happy to hear that we're going
22 to go forward with a competitive bid, as we do with the
23 other vendors and other services.

24 Again, to repeat what I said last time, I have the
25 greatest respect for the firm, the work that they do, very

1 high quality. My questions really are -- would attend to
2 any firm where we're looking to spend another \$2 million
3 over the \$1.6 million, did you say, that's still remaining.
4 And do I understand correctly that this is until the end of
5 February?

6 MR. FELLENZ: The \$2 million would extend through
7 the end of June --

8 BOARD MEMBER SCHENK: Oh, end of June.

9 MR. FELLENZ: -- 2015.

10 BOARD MEMBER SCHENK: Ah.

11 MR. FELLENZ: Their --

12 BOARD MEMBER SCHENK: Okay.

13 MR. FELLENZ: Their term of their contract is
14 through June now anyway. And so what I'm just asking for is
15 additional budget with the capacity to get through June.
16 But I would expect that at least some of the -- some of the
17 activities that they've been working on and legal tasks will
18 be replaced with this competitive big process that we've
19 started already, and also Caltrans legal services.

20 BOARD MEMBER SCHENK: Okay. I think I mentioned
21 this last time that I would be more interested in more
22 specifics about their hourly rates, you know, partner time,
23 associate time. And the -- you outlined the areas where we
24 still will be using the firm. But if there's some way to
25 give an estimate of how much money will attach to each of

1 the projects that they're working on and -- I mean, I -- and
2 the timeline then, whether this is, you know, February,
3 March, April, May, June, when we expect some of these
4 projects to be completed in terms of their time.

5 And I mean, I have great confidence and faith in
6 your looking at -- at the numbers and I will support it.
7 But I really would like to have more specificity. And going
8 forward when we're dealing with lawyers, accountants,
9 etcetera, as we look to a new way, a new paradigm of paying,
10 you know, these -- these funds for these services, to give
11 us the specificity of it.

12 MR. FELLENZ: Okay.

13 BOARD MEMBER SCHENK: All right.

14 MR. FELLENZ: I'd be happy to do that.

15 BOARD MEMBER SCHENK: Thank you.

16 VICE CHAIR HARTNETT: Any other -- thank you, Ms.
17 Schenk.

18 BOARD MEMBER FRANK: Mr. Chairman?

19 VICE CHAIR HARTNETT: Mr. Henning?

20 BOARD MEMBER HENNING: Tom, I applaud the
21 excellence of your office in all of these efforts. And my
22 colleagues have entered into various comments today about
23 the priority for contracting out in certain areas or
24 projects. And I am in accord with those comments.

25 However, when it comes to your office, like a

1 typical state employee of great competence, I think
2 contracting out should be the exception rather than the
3 ordinary play of the day. Your past comments have brought
4 to light the fact that there is no great competence in our
5 expertise in our area, specified areas in the Attorney
6 General's Office or in your office at the current time. And
7 your aspect to encourage capacity building, more staff
8 coming onboard, is excellent. And if you have current
9 budget change proposals in the Governor's next budget to
10 come out, triple them. Ask for specialized classifications
11 so our office can recruit and keep good attorneys.

12 And if I can, there's also a cost estimate to
13 this. Many times, these great law firms in our county or
14 our state, like the current contract under consideration
15 today, charge between \$400 and \$800 per hour for your
16 consultation. Isn't that sweet? Whereas the average state
17 employee who is a competent attorney, there's a range of \$50
18 to \$80 per hour. When you include health and welfare,
19 pension, etcetera, basically it comes out to \$100 and \$120
20 per hour. It's better to keep our competency in-house,
21 especially when we are appearing in court, especially when
22 that is a priority in state law itself, except when there is
23 a lack of competence or lack of capacity building.

24 So I'm all in favor of this effort today on your
25 behalf and encourage you with this excellent law firm. But

1 please keep in mind the challenges to build capacity in our
2 own staff, and it's cheaper too. That's it.

3 MR. FELLENZ: Thank you.

4 VICE CHAIR HARTNETT: Director Frank?

5 BOARD MEMBER FRANK: I would very much echo Board
6 Member Henning's comments and suggestions.

7 In addition, Tom, as part of this comprehensive
8 process which your -- which your memo lays out, and I
9 applaud you for -- for undertaking that and responding to
10 our comments and direction from the last meeting, as part of
11 that -- that competitive process, and actually as a
12 precursor to it, I would encourage you to continue your
13 discussion and engagements with the State Department of
14 Transportation, Caltrans, but also to re-engage to the
15 Attorney General's Office, and I don't just mean at the line
16 level, I'm talking about the Attorney General and her top
17 management folks, to determine the degree to which they can
18 and should prospectively be developing this expertise if we
19 believe and they believe they don't currently have it.

20 Because not just for this project, which is the
21 biggest public works' project in the State of California
22 history, but the Bay Delta Conservation Planning process and
23 the other very compelling infrastructure needs that the
24 state confronts and is going to have to do. There's a lot
25 of legal work that goes along with that. And I, too,

1 believe that the public interest and the public fisc are
2 both best served if we can develop that expertise in-house,
3 for all the reasons that Board Member Henning indicates.

4 VICE CHAIR HARTNETT: Thanks. Any other?

5 BOARD MEMBER PEREZ-ESTOLANO: I have one more.

6 Thank you. Thank you, Vice Chair.

7 Tom, I have a quick question, and I raised this to
8 you before the meeting. In our discussion you mentioned
9 that Nossaman will have a commitment to the 30 percent goal
10 SBE. That infers that they haven't met the goal of 30
11 percent.

12 MR. FELLENZ: Yes. They do have a commitment to
13 30 percent goal. That's the requirement in the contract
14 right now, and they have not met that. We do have within
15 Nossaman an effort to meet that goal. And they have
16 contracted out with individual attorneys who meet the small
17 business qualifications and have provided those services
18 through those subcontracts, but we haven't hit the 30
19 percent. But I think in the re-procurement it will give us
20 an opportunity to look for small businesses who may be able
21 to provide, as a business, 100 percent small business
22 participation if they themselves are a small business.

23 So I think I'm looking hard for -- for those
24 opportunities that will come with the re-procurement, as
25 well.

1 BOARD MEMBER PEREZ-ESTOLANO: Okay. And I
2 appreciate your focus being on that because that's an
3 important measure of our success as well.

4 MR. FELLENZ: Yes.

5 BOARD MEMBER PEREZ-ESTOLANO: Thank you.

6 VICE CHAIR HARTNETT: Thank you. Any other
7 questions or comments? Yes?

8 BOARD MEMBER SELBY: My comment, I actually
9 already made to Tom, but I'll make it to the general group,
10 which is that in looking -- since we're not doing the
11 finance section of -- of this meeting, I mean, looking over
12 the finances I noticed that the law firms in general are
13 somewhere between 0 and I think 8.7 percent small business.
14 And so I think it's -- it's a problem in general that we
15 need to look at and see if there's a way that we can make
16 sure that the law firms, as well as all the other -- all the
17 other firms that are contracting with us, are also living up
18 to not just continuing to strive to meet but actually
19 meeting the 30 percent goal.

20 MR. FELLENZ: Okay.

21 VICE CHAIR HARTNETT: Great. Thank you.

22 Tom, I too agree, it was a very good report. I
23 think it sets out a good plan of action.

24 I think in terms of using outside attorneys and
25 building up competence in the state is a question of

1 balance. And I agree with the -- Director Frank's view of
2 really looking forward to what is going to be within the
3 experience of the state over the next decades, essentially,
4 with the big projects. And to the extent that the state is
5 going to be building up the experience and it is synergistic
6 with what we're doing, I think it's important to make sure
7 that that competence is hired within the state.

8 But I also think, not having the firsthand
9 knowledge of -- of some of the members of our Board, that it
10 probably is somewhat of a process. And you know, obviously
11 our needs to be met when they need to be met. And so while
12 I join in the encouragement of you to reach out further
13 within the state government, I think, again, it's a matter
14 of balance in making sure our needs are met.

15 On the -- the small business goal and DBE goals
16 with law firms, I have some experience with that, not with
17 my firm but just in observing others. And there are
18 certainly a significant number of small firms that can take
19 pieces of some of the subject areas. But I want to make
20 sure that, you know, we're not, by doing that, increasing
21 the cost by twice for the subject areas. I mean, if
22 we're -- by that I mean a large firm subcontracting with a
23 small firm is sometimes not very efficient in how it's
24 administered. And I, you know, I don't want it to be done
25 just so that they can say they've met a goal and we can feel

1 proud that they have. It's got to be meaningful and it's
2 got to be efficient and it's got to work.

3 And so in that regard, I personally prefer not
4 having those subcontracting relationships when it's possible
5 to have a direct contracting relationship and not go through
6 a larger firm to meet those needs, as long as the expertise
7 is there and the capacity of the firm is there for what the
8 assignment is. And you know, my experience with small firms
9 and large firms is pretty extensive. And I have found, and
10 just very generally speaking, that many small firms have --
11 have even more competence and ability to serve than larger
12 firms. And I -- and I think we should bear that in mind as
13 we approach legal services. On the other hand, we know that
14 there is a reason for larger firms and that is there are
15 times when just their mere capacity is needed, in addition
16 to their expertise. So I recognize that as well.

17 So that being said, if there are no other comments
18 or questions, we have a resolution before us. Do we have a
19 motion to adopt it?

20 BOARD MEMBER HENNING: So moved.

21 VICE CHAIR HARTNETT: Director Henning.

22 BOARD MEMBER SELBY: Second.

23 VICE CHAIR HARTNETT: Okay. We have a motion and
24 a second.

25 If we can have a roll call please?

1 MS. NEIBEL: Ms. Schenk?

2 BOARD MEMBER SCHENK: Yes.

3 MS. NEIBEL: Vice Chair Richards?

4 VICE CHAIR RICHARDS: Yes.

5 MS. NEIBEL: Vice Chair Hartnett?

6 VICE CHAIR HARTNETT: Yes.

7 MS. NEIBEL: Ms. Perez-Estolano?

8 BOARD MEMBER PEREZ-ESTOLANO: Yes.

9 MS. NEIBEL: Mr. Henning?

10 BOARD MEMBER HENNING: Yes.

11 MS. NEIBEL: Mr. Frank?

12 BOARD MEMBER FRANK: Abstain.

13 MS. NEIBEL: Ms. Selby?

14 BOARD MEMBER SELBY: Yes.

15 MS. NEIBEL: Chairman Richard?

16 MR. FELLENZ: Thank you.

17 VICE CHAIR HARTNETT: Thank you. That's passed.

18 We now have an information item on the status

19 report on the request for qualifications for the design-

20 build contract for a construction package for CP 2-3

21 progress.

22 MR. JARVIS: Good morning again, Board Members and

23 CEO Morales.

24 For background, the first construction segment of

25 the California High-Speed Rail System identified in the 2012

1 and 2014 business plans runs through the Central Valley and
2 includes the counties of Madera, Fresno, Tulare, Kings and
3 Kern. The authority executed a contract for design and
4 construction, or CP 1, for the first 29 miles of civil works
5 of the statewide system in August of 2013. And now the
6 Authority is currently evaluating three proposals to select
7 the contractor for design and construction of CP 2-3 which
8 is the next approximately 60 miles of civil works by early
9 2015. And CP 4 consists of approximately the next 30 miles
10 of civil works south of CP 2-3. And a final contract will
11 be entered into for the track work along the entire length
12 of the Central Valley, and that will be CP 5. And
13 procurement activities for that will begin in 2015.

14 So the progress made to date with design and
15 construction of CP 1 and procurement activities for
16 construction package 2-3 represent a lot of meaningful steps
17 towards the goal of successful completion of the Central
18 Valley segment and delivery of the overall program. So the
19 purpose of this presentation is to provide the Board with an
20 update on the progress of CP 1 and CP 2-3, as well as a
21 status update regarding the release of the RFQ to interested
22 design-build teams for design and construction of the next
23 construction segment, or CP 4. And as was stated, no action
24 is needed by the Board.

25 So regarding CP 1, significant progress has been

1 made on the design activities. The design-builder is
2 progressing designs on segments 1A, 1B and 1C, with input
3 from the Authority, the project construction manager, and
4 the independent checking engineer through workshops and task
5 force meetings. Progress has been made on numerous bridge
6 and roadway design packages within the City of Fresno and
7 the counties of Madera and -- Madera and Hanford.

8 Also, third-party designs on segments 1A and 1B
9 have progressed with input from the effected utility owners.
10 So for construction on CP 1 the design-builder is processing
11 acquired parcels by performing site assessments, pre-
12 construction surveys, and hazardous material assessments.
13 So to date a total of 16 buildings have been demolished and
14 cleared in the City of Fresno. And hazardous material
15 abatement has been completed on several acquired parcels and
16 is continuing on other parcels.

17 So further milestones reached on CP 1 include a
18 wide array of third-party agreements. To date, 45 third-
19 party agreements in support of CP 1 have been executed.
20 Additionally, the Authority has made significant progress in
21 securing necessary permits for CP 1 construction with many
22 different permitting agencies. And on the jobs' front, for
23 the high-speed rail program in the month of June alone, 21
24 prime contractors worked about 140,000 hours creating the
25 equivalent of 832 new full-time jobs. And on CP 1

1 specifically, 33 small businesses have been contracted
2 with -- at a value of \$288 million.

3 Right-of-way acquisition continues to progress on
4 CP 1. Of the 527 parcels needs, 496 appraisals have been
5 approved, and 465 first written offers have been submitted,
6 resulting in 93 parcels certified for the contractors use to
7 date.

8 Regarding the status of CP 2-3, in April of 2014
9 the Authority issued an RFP for design-build services. On
10 October 30th, last month, three teams submitted proposals.
11 Proposals are now being evaluated and scored by the
12 Authority to determine the team offering the best value.
13 The scoring will be weighted 30 percent on technical and 70
14 percent on price. The contract is estimated at \$1.5 to \$2
15 billion, and award is anticipated early next year.

16 The Authority has selected a project and
17 construction management team to oversee design-build work
18 for CP 2-3. In August 2014 the Authority announced that
19 Arcadis was awarded the PCM contract for CP 2-3. And that
20 PCM contract is now fully executed.

21 So the Authority continues to also move forward
22 with certain pre-construction activities for CP 2-3,
23 including identifying 539 parcels necessary to deliver this
24 construction segment. Property acquisition is moving
25 forward as improvements continue to be made to the right-of-

1 way process, allowing the Authority to strengthen its
2 ability to meet its projected acquisition schedule. To date
3 the Authority has appraised 258 of the 539 parcels needed
4 for CP 2-3, even though we don't have a design-builder
5 onboard yet. So we got a good jump on CP 2-3 as compared to
6 CP 1 with the right-of-way.

7 And Authority Staff is also working to secure
8 critical third-party agreements and necessary environmental
9 and construction permits for CP 2-3.

10 So regarding CP 4 the approach for selecting and
11 awarding the next design-build contract will be similar to
12 that used for CP 1 and CP 2-3, specifically a two-phase
13 process designed to obtain the best value for the Authority.

14 In the first phase an RFQ is issued and each of
15 the submitting teams is evaluated for their qualifications
16 to perform the work. The Authority will establish a short
17 list of the most highly qualified offers. And then in the
18 second phase an RFP is issued to each qualified design-build
19 team with proposals due on a specific date. The Authority
20 will select a proposer that offers the best value to the
21 Authority and the state for award of a design-build
22 contract.

23 The Authority Staff anticipates releasing the RFQ
24 for the design-build contract of CP 4 on November 21st of
25 this year. And CP 4 extends approximately 30 miles through

1 the counties of Tulare and Kern and the cities of Wasco and
2 Shafter. Major civil work elements in this segment include
3 construction of at-grade and aerial sections of high-speed
4 train alignment. A copy of the RFQ is concurrently
5 presented to the Board for your informational purposes, you
6 have that in your packet, and it includes an estimated cost
7 of \$700 million to \$900 million.

8 So the RFQ schedule for CP 4 is, again, issue the
9 RFQ on November 21st. We have an industry forum scheduled
10 in Bakersfield on December 5th. And the statement of
11 qualifications due date is January 30th of 2015.

12 So the process that the authority will use in
13 evaluating the statement of qualifications, it won't
14 substantively differ from the process that we use to qualify
15 the teams on CP 1 and CP 2-3. But specifically the elements
16 the teams will be asked to address and upon which they will
17 be evaluated will include past performance, design-build
18 team, and project understanding. And the design-build
19 contract for CP-4 will include the Board-adopted 30 percent
20 small and disadvantaged participation goal.

21 So as far as the scope of work for CP 4, the RFQ
22 includes a description of that scope. And it's based on the
23 final Fresno to Bakersfield EIR/EIS in the record of
24 decision. So the work to be provided and performed by the
25 contractor includes the final design and construction of

1 high-speed rail track-way, civil infrastructure complete in
2 place up to the top of subgrade. And the scope of work
3 includes the design and construction of retaining walls,
4 access roads and subsurface infrastructure that could be
5 used to integrate with future systems' components not in the
6 scope of CP 4. The scope of work also includes the design
7 and construction of enabling works such as grade
8 separations. And the RFP for CP 4 will more clearly
9 delineate the project limits and the scope of work
10 responsibilities that I just generally described. So, as
11 called for by the Board's policies and procedures, Staff
12 will seek Board approval to issue the RFP at that time.

13 So in summary, the progress made to date with
14 design and construction of CP 1, procurement activities for
15 CP 2-3, and the release of the RFQ for CP 4 shows
16 significant progress towards the successful completion of
17 the Central Valley segment and delivery of the overall
18 program.

19 So with that I'd be happy to answer any questions
20 you might have on this informational item.

21 VICE CHAIR HARTNETT: Ms. Schenk?

22 BOARD MEMBER SCHENK: Thank you. Can we fix this
23 microphone under the CP 4?

24 I would just like to go back to CP 1 progress for
25 a moment.

1 MR. JARVIS: Yes.

2 BOARD MEMBER SCHENK: What -- it's a joint venture
3 of some big companies. Just curious about what have been
4 the challenges in the -- working with the joint venture?
5 What -- how have some of these challenges been resolved?
6 Are some of them still outstanding? In other words, what
7 lessons can we learn from CP 1 going forward with the other
8 CP 2-3 and 4?

9 MR. JARVIS: Sure. As far as the challengers of
10 working with the joint venture, the joint venture has been
11 working with us very well to date. The positive thing is
12 that the challenge has really been focused on the project
13 challenges and not our working relationship. And I think
14 the project challenges that we've been working jointly with
15 the design-builder on are no surprise, I mean, the right-of-
16 way acquisition and trying to get up to schedule on the
17 right-of-way acquisition. Third-party agreements, that's a
18 very large workload on a long horizontal project to get all
19 of those third-party agreements in place. So those have
20 really been, you know, two major areas that we've been
21 partnering and working with the design-builder.

22 So I think, you know, I think a major lessons
23 learned is get a jump on those to the extent that you can,
24 which we do have now for CP 2-3 and CP 4. And the other is
25 just, you know, continue to work with the design-builder so

1 that you really align their objectives and the Authorities
2 objectives based upon where you're at in the program and the
3 constraints that you have, whether they're third-party
4 constraints, right-of-way constraints, permitting
5 constraints, just continue to keep that partnership going.
6 And to -- and to that end we do have executive quarterly
7 partnering meetings with the design-builder where we get
8 together and communicate and work through those issues. And
9 at a project level, of course, they're working on a daily
10 basis together.

11 BOARD MEMBER SCHENK: Anything out of the ordinary
12 that we should know about intra the joint venture as between
13 the partners there?

14 MR. JARVIS: No. I don't think there's been
15 anything out of the ordinary. I think it's been, you know,
16 pretty standard construction, design-build administration.
17 I think that, again, there's been a lot of project
18 challenges, but we've really been able to keep it focused on
19 let's work together to try to resolve these -- these project
20 challenges, so --

21 BOARD MEMBER SCHENK: Thank you.

22 MR. JARVIS: Yeah. And I do just -- I want to add
23 that we do have a meeting scheduled on December 10th in
24 Fresno with -- with the design-builder and really looking at
25 where we're at right now with right-of-way. We have

1 approximately 95 parcels right now. And that pace is
2 increasing as far as the acquisition of the parcels. And we
3 certainly have some opportunities now to start some
4 meaningful construction out -- out in the field. So we're
5 going to have that meeting on December 10th and really
6 develop a construction plan with the design-builder moving
7 forward based upon the parcels we have no and then our
8 estimated future acquisition dates.

9 VICE CHAIR HARTNETT: Thank you. Any other
10 questions? Yes.

11 BOARD MEMBER SELBY: Yeah. Thank you very much
12 for the update. It's very helpful. My questions have to do
13 kind of with how -- where we are now versus where we thought
14 we would be and if that's going to cause us any trouble, and
15 from that standpoint I mean both are we behind on time, on
16 scope, or one budget?

17 And specifically, there's -- there's a page in
18 our -- again, in our finance portion of the packet that
19 talks about the right-of-way acquisition status. And
20 it's -- it's -- as you say, there's -- perhaps should we be
21 worried about this, I guess? When I look at this and I see
22 that there are, you know, a lot of parcels and not they're
23 not -- they're not -- especially with CP 1 and CP 2, you
24 know, they're not -- I'm assuming they all need to be to the
25 end of the line to be considered delivered to a design-

1 build; is that right? And we're at 19 percent now for CP 1A
2 and B.

3 And so my question to you is: Should we be
4 worried about that? Are we on time, on budget and scope?
5 Where are we?

6 MR. JARVIS: I think it needs to be a focus of all
7 of us. It is a risk. We identified it as -- as a major
8 project risk when we developed the risk register before, you
9 know, executing the design-build contract. And it is a
10 major driver of the contingency balance that we have. So
11 you know, we went forward knowing that this would be a risk,
12 and therefore we have to focus on it and manage it to the
13 extent that we can.

14 I think that, you know, the good news is we do
15 feel like we are starting to -- to turn a corner, so to
16 speak. And I think if you look at that chart you see early
17 on that there is a lot of blue there. There's a lot of
18 those milestones that have been reached for the right-of-
19 way, and now it's a matter of making it down through --
20 through the process to get to that ultimate handoff to the
21 design-builder.

22 But the reality is, and you see it in the reports
23 there with the finance and audit, as well, is that we are
24 behind as far as the expenditures to date that was planned
25 for a variety of reasons. But we're pretty confident that,

1 you know, we still have several years left in the
2 construction and working with the design-builder. And
3 that's part of the meeting that we'll have in early December
4 is how do we mitigate those delays and get this job
5 completed on -- on schedule. So we -- we think we have the
6 opportunity to do that still.

7 And the reality is, you know -- and as I mentioned
8 in here, there's been a lot of good design work done and
9 other work, such as the third-party agreement. So we really
10 feel like we're poised to begin some significant
11 construction and be able to make up for some of those
12 initial delays that we've had.

13 BOARD MEMBER SELBY: Thank you.

14 VICE CHAIR HARTNETT: Yes, Mr. Morales?

15 CHIEF EXECUTIVE OFFICER MORALES: I'll just add a
16 little bit to that. Somebody asked me recently if I was
17 comfortable about where we -- where we are. And I said that
18 if anybody managing a program like this tells you they're
19 comfortable they're either kidding themselves or they don't
20 know enough about what the, you know, the program is. And I
21 think for all of us in the program, I don't think
22 comfortable will be a word we use until we see the first
23 train, you know, running, just because of all the challenges
24 in this.

25 But we are -- one of the things we are doing which

1 is truly world class is the risk management process we have
2 in place. And one of those risks is -- is right-of-way.
3 And so we have a number of things in place to manage the
4 risks associated with that. And it's also, frankly, an
5 advantage of the design-build process it that we can work
6 with the design-builder to address that as we go along
7 because they can modify their plans and adapt plans in a way
8 we wouldn't necessarily think of and take advantage of
9 parcels that are available when they become available.

10 So it's -- it's an issue that we will continue to
11 find ways to -- to improve. But we are -- things are moving
12 in the right direction. I think the next, for the program
13 as a whole in terms of CP 1 in particular, the next few
14 months are really going to be where we'll see the ramp-up of
15 activity and people will see things visibly happening out
16 there in the field.

17 VICE CHAIR HARTNETT: Good questions. Any other
18 questions or comments?

19 Thank you very much. Thank you for the updated
20 status. Very helpful. And I think if you look at the
21 entirety of things that we've had on the agenda today, the
22 status report is very meaningful. The -- while we are not
23 having the verbal report on the audit and finance, that
24 information is very meaningful, in addition to the term
25 sheet that we discussed. So I think we're at a very

1 interesting point, I think, in our history.

2 So agenda item eight is off until next meeting.

3 We're now going to adjourn into closed session
4 pertaining to litigation, pursuant to the Government Code
5 provision cited in the agenda. At the conclusion of the
6 closed session we will reconvene and report out if there's
7 any items that we need to report out on. Thank you all very
8 much, and have a good Thanksgiving.

9 (The Board convened into Closed Session at 11:10 a.m.)

10 (Having no new items to report from Closed Session,
11 Chairperson Dan Richard adjourned the Public Meeting of
12 The High-Speed Rail Authority

13 at 12:35 p.m.)

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1 CERTIFICATE OF REPORTER
2

3 I, KENT *K. Odele*, an Electronic Reporter, do hereby
4 certify that I am a disinterested person herein; that I
5 recorded the foregoing California High-Speed Rail Authority
6 Meeting; that it was thereafter transcribed.

7 I further certify that I am not of counsel or
8 attorney for any of the parties to said conference, or in
9 any way interested in the outcome of said conference.

10 IN WITNESS WHEREOF, I have hereunto set my hand
11 this 18th day of November, 2014.

12 _____ /s/ *Kent Odele*
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14

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16 CERTIFICATE OF TRANSCRIBER
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18 I certify that the foregoing is a correct
19 transcript, to the best of my ability, from the electronic
20 sound recording of the proceedings in the above-entitled
21 matter.

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December 1, 2014